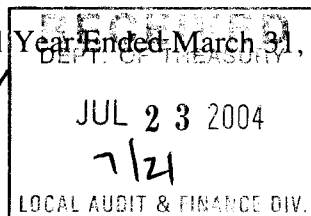


TOWNSHIP OF CRYSTAL FALLS
(IRON)
AUDITED FINANCIAL STATEMENTS

Fiscal Year Ended March 31, 2004

✓



AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Crystal Falls Township	County Iron
Audit Date 3/31/04	Opinion Date 6/22/04	Date Accountant Report Submitted to State: 7/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Scott R. Kenney, CPA			
Street Address 1374 Commercial Avenue Ste. 1	City Crystal Falls	State MI	ZIP 49920
Accountant Signature <i>Scott R. Kenney, CPA</i>			

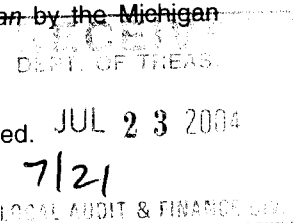


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SCOTT R. KENNEY

Certified Public Accountant

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Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

INDEPENDENT AUDITOR'S REPORT

The Honorable Supervisor and Board of Trustees
Township of Crystal Falls
Crystal Falls, Michigan 49920

I have audited the accompanying general purpose financial statements of the Township of Crystal Falls, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's elected officials and management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed asset account group is not known.

In my opinion, except for the omission of the general fixed asset account group as discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Crystal Falls, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit of the general purpose financial statements was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as Supplemental Financial Information, Supporting Schedule and Other Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Township of Crystal Falls. Such information has been subjected to the auditing procedures applied in the

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

audit of general purpose financial statements and, in my opinion, except as noted above, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.


Certified Public Accountant

June 22, 2004

TOWNSHIP OF CRYSTAL FALLS
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 March 31, 2004

ASSETS	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
Cash	\$ 299,844	\$ 186,247
Investments	132,898	0
Receivables:		
Taxes	16,458	7,912
Accounts	109	0
Due from other funds	9	11,592
Due from other governmental units	27,290	0
Inventory	6,108	0
Restricted Assets	0	0
Property and equipment	0	0
Other assets	13,308	20,803
	<hr/>	<hr/>
TOTAL ASSETS	\$ 496,024	\$ 226,554
	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 11,380	\$ 0
Accrued salaries and related taxes	0	0
Accrued interest	0	0
Due to other funds	2,532	0
Due to other governmental units	0	0
Bonds payable	0	0
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 13,912	\$ 0
FUND EQUITY:		
Contributed capital	\$ 0	\$ 0
Retained earnings:		
Reserved	0	0
Unreserved - undesignated	0	0
Fund balance:		
Reserved/designated	19,416	105,994
Unreserved - undesignated	462,696	120,560
	<hr/>	<hr/>
TOTAL FUND EQUITY	\$ 482,112	\$ 226,554
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 496,024	\$ 226,554
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	TOTAL
ENTERPRISE	TRUST AND AGENCY	(MEMORANDUM ONLY)
\$ 383,983	\$ 76,741	\$ 946,815
0	0	132,898
0	0	24,370
14,534	0	14,643
218	2,523	14,342
0	0	27,290
3,763	0	9,871
22,923	0	22,923
743,978	0	743,978
9,226	0	43,337
<u>\$ 1,178,625</u>	<u>\$ 79,264</u>	<u>\$ 1,980,467</u>

\$ 7,316	\$ 0	\$ 18,696
0	0	0
5,333	0	5,333
0	11,810	14,342
0	67,454	67,454
<u>160,000</u>	<u>0</u>	<u>160,000</u>

\$ 172,649	\$ 79,264	\$ 265,825
------------	-----------	------------

\$ 822,966	\$ 0	\$ 822,966
------------	------	------------

22,923	0	22,923
160,087	0	160,087

0	0	125,410
<u>0</u>	<u>0</u>	<u>583,256</u>

<u>\$ 1,005,976</u>	<u>\$ 0</u>	<u>\$ 1,714,642</u>
---------------------	-------------	---------------------

<u>\$ 1,178,625</u>	<u>\$ 79,264</u>	<u>\$ 1,980,467</u>
---------------------	------------------	---------------------

TOWNSHIP OF CRYSTAL FALLS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES
 Year ended March 31, 2004

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES			
Taxes	\$ 322,246	\$ 141,531	\$ 463,777
State shared revenues	164,372	0	164,372
Licenses and permits	3,400	0	3,400
Charges for services	31,852	0	31,852
Other	<u>10,919</u>	<u>2,360</u>	<u>13,279</u>
TOTAL REVENUES	\$ 532,789	\$ 143,891	\$ 676,680
EXPENDITURES			
Legislative	\$ 7,128	\$ 0	\$ 7,128
General government	255,039	0	255,039
Public safety	0	118,594	118,594
Public works	321,812	0	321,812
Recreation and culture	967	0	967
Other	99,706	0	99,706
Capital outlay	<u>4,390</u>	<u>118,753</u>	<u>123,143</u>
TOTAL EXPENDITURES	\$ 689,042	\$ 237,347	\$ 926,389
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (156,253)	\$ (93,456)	\$ (249,709)
OTHER FINANCING USES - Transfers in (out)	<u>(71,959)</u>	<u>50,000</u>	<u>(21,959)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (228,212)	\$ (43,456)	\$ (271,668)
Fund balance - April 1	<u>710,324</u>	<u>270,010</u>	<u>980,334</u>
FUND BALANCE - MARCH 31	<u><u>\$ 482,112</u></u>	<u><u>\$ 226,554</u></u>	<u><u>\$ 708,666</u></u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF CRYSTAL FALLS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES - ACTUAL AND BUDGET
 Year ended March 31, 2004

	<u>GENERAL FUND</u>		
	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 322,246	\$ 292,865	\$ 29,381
State shared revenues	164,372	112,000	52,372
Licenses and permits	3,400	2,500	900
Charges for services	31,852	33,000	(1,148)
Other	10,919	27,100	(16,181)
TOTAL REVENUES	\$ 532,789	\$ 467,465	\$ 65,324
EXPENDITURES			
Legislative	\$ 7,128	\$ 9,000	\$ 1,872
General government	255,039	290,200	35,161
Public safety	0	0	0
Public works	321,812	324,000	2,188
Recreation	967	2,500	1,533
Other	99,706	100,000	294
Capital outlay	4,390	14,000	9,610
TOTAL EXPENDITURES	\$ 689,042	\$ 739,700	\$ 50,658
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (156,253)	\$ (272,235)	\$ 115,982
OTHER FINANCING USES - Transfers in (out)	(71,959)	(72,000)	41
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (228,212)	\$ (344,235)	\$ 116,023
Fund balance - April 1	710,324		
FUND BALANCE - MARCH 31	\$ 482,112		

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS

TOTAL (MEMORANDUM ONLY)

<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL (MEMORANDUM ONLY)</u>		
<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 141,531	\$ 131,075	\$ 10,456	\$ 463,777	\$ 423,940	\$ 39,837
0	0	0	164,372	112,000	52,372
0	0	0	3,400	2,500	900
0	0	0	31,852	33,000	(1,148)
<u>2,360</u>	<u>8,000</u>	<u>(5,640)</u>	<u>13,279</u>	<u>35,100</u>	<u>(21,821)</u>
\$ 143,891	\$ 139,075	\$ 4,816	\$ 676,680	\$ 606,540	\$ 70,140
\$ 0	\$ 0	\$ 0	\$ 7,128	\$ 9,000	\$ 1,872
0	0	0	255,039	290,200	35,161
118,594	119,000	406	118,594	119,000	406
0	0	0	321,812	324,000	2,188
0	0	0	967	2,500	1,533
0	0	0	99,706	100,000	294
<u>118,753</u>	<u>74,000</u>	<u>(44,753)</u>	<u>123,143</u>	<u>88,000</u>	<u>(35,143)</u>
\$ <u>237,347</u>	\$ <u>193,000</u>	\$ <u>(44,347)</u>	\$ <u>926,389</u>	\$ <u>932,700</u>	\$ <u>6,311</u>
\$ (93,456)	\$ (53,925)	\$ (39,531)	\$ (249,709)	\$ (326,160)	\$ 76,451
<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>(21,959)</u>	<u>(22,000)</u>	<u>41</u>
\$ (43,456)	\$ <u>(3,925)</u>	\$ <u>(39,531)</u>	\$ (271,668)	\$ <u>(348,160)</u>	\$ <u>76,492</u>
<u>270,010</u>			<u>980,334</u>		
\$ <u>226,554</u>			\$ <u>708,666</u>		

TOWNSHIP OF CRYSTAL FALLS
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 Year ended March 31, 2004

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services:			
Customer sales	\$ 86,895	\$ 138,876	\$ 225,771
Other operating revenues	<u>311</u>	<u>4,991</u>	<u>5,302</u>
TOTAL OPERATING REVENUES	\$ 87,206	\$ 143,867	\$ 231,073
OPERATING EXPENSES			
Wages	\$ 12,322	\$ 26,905	\$ 39,227
Payroll taxes	943	2,058	3,001
Supplies and other	356	15,206	15,562
Repairs and maintenance	915	0	915
Dues and subscriptions	0	327	327
Contractual services	76,331	3,792	80,123
Utilities	3,736	19,910	23,646
Travel	0	433	433
Depreciation	<u>5,477</u>	<u>28,087</u>	<u>33,564</u>
TOTAL OPERATING EXPENSES	\$ 100,080	\$ 96,718	\$ 196,798
OPERATING INCOME	\$ (12,874)	\$ 47,149	\$ 34,275
NON-OPERATING REVENUES (EXPENSES)			
Interest income	\$ 78	\$ 737	\$ 815
Interest expense	<u>0</u>	<u>(11,284)</u>	<u>(11,284)</u>
INCOME BEFORE OPERATING TRANSFER	\$ (12,796)	\$ 36,602	\$ 23,806
OPERATING TRANSFER IN - From General Fund	<u>10,000</u>	<u>8,000</u>	<u>18,000</u>
NET INCOME	\$ (2,796)	\$ 44,602	\$ 41,806
Add depreciation of fixed assets acquired by capital grants that reduced contributed capital	0	6,094	6,094
Retained Earnings - April 1	<u>26,215</u>	<u>108,895</u>	<u>135,110</u>
RETAINED EARNINGS (DEFICIT) - MARCH 31	\$ <u><u>23,419</u></u>	\$ <u><u>159,591</u></u>	\$ <u><u>183,010</u></u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF CRYSTAL FALLS
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year ended March 31, 2004
Increase (decrease) in cash

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>TOTAL</u>
OPERATING ACTIVITIES			
Operating income	\$ (12,874)	\$ 47,149	\$ 34,275
Adjustment to reconcile operating income (loss) to net cash provided by operating income:			
Depreciation	5,477	28,087	33,564
Amortization of deferred debt issuance costs	0	299	299
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	469	5,121	5,590
(Increase) decrease in inventory	0	0	0
Increase (decrease) in accounts payable	5,515	269	5,784
Increase (decrease) in accrued interest	0	(167)	(167)
Increase (decrease) in due to other funds	0	0	0
CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,413)	\$ 80,758	\$ 79,345
NON-CAPITAL FINANCING ACTIVITIES - Transfer in	\$ 10,000	\$ 8,000	\$ 18,000
CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	\$ 0	\$ (5,000)	\$ (5,000)
Interest paid on bonds	0	(11,284)	(11,284)
Capital acquisitions	(1,856)	(1,856)	(3,712)
Increase in reserved/designated assets	0	15,740	15,740
CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,856)	\$ (2,400)	\$ (4,256)
INVESTING ACTIVITIES - Interest earned	\$ 78	\$ 737	\$ 815
NET INCREASE (DECREASE) IN CASH	\$ 6,809	\$ 87,095	\$ 93,904
Cash - April 1	26,408	263,671	290,079
CASH - MARCH 31	\$ 33,217	\$ 350,766	\$ 383,983

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF CRYSTAL FALLS
 COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 Year ended March 31, 2004

	<u>Balance</u> <u>31-Mar-03</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>31-Mar-04</u>
ASSET							
Cash	\$ 84,817	\$	809,359	\$	817,435	\$	76,741
Due from other funds	<u>480</u>		<u>295,993</u>		<u>293,950</u>		<u>2,523</u>
TOTAL ASSETS	\$ <u>85,297</u>	\$	<u>1,105,352</u>	\$	<u>1,111,385</u>	\$	<u>79,264</u>
LIABILITIES							
Due to Fire Protection Fund	\$ 12,508	\$	140,989	\$	141,905	\$	11,592
Due to Sewer Fund	218		0		0		218
Due to Other Governmental Units	72,571		963,875		968,992		67,454
Due to taxpayers	<u>0</u>		<u>488</u>		<u>488</u>		<u>0</u>
TOTAL LIABILITIES	\$ <u>85,297</u>	\$	<u>1,105,352</u>	\$	<u>1,111,385</u>	\$	<u>79,264</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township, which was organized in 1891 and covers an area of 99,000 acres, operates under an elected board of trustees (5 people) and provides services to its residents including fire protection, streets and roads, zoning, general administration, water and sewer services.

The accounting policies of the Township of Crystal Falls conform to generally accepted accounting principles. The following is a summary of such significant policies:

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements do not include the Crystal Falls Fire Authority. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

JOINTLY GOVERNED ORGANIZATIONS

Crystal Falls Fire Authority

The City of Crystal Falls and Township of Crystal Falls participate jointly in the operation of the Crystal Falls Fire Authority. All of the financial operations of the Authority are recorded in a separate set of financial records and are available at the Fire Department Offices located in the Crystal Falls City Hall.

The funding formula approved by the members of the Local Units is based pro rata on each unit's population. The Township's contribution to the Fire Authority for the audit period was \$118,594.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into generic fund types and broad fund categories as follows:

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of local or regulatory provisions or administrative action.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Township as trustee or agent for individuals, private organizations and other governmental units.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets within a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Thus, fixed assets used in governmental fund type operations (general fixed assets) are to be accounted for in the General Fixed Assets Account Group, rather than in governmental funds themselves. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

Fixed Assets (continued)

This account group is not a "fund". It is concerned only with measurement of financial position. It is not involved with measurement of results of operation.

The Township has not maintained a General Fixed Asset Account Group. The effect of the exclusion on these financial statements is not known.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by propriety funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It also relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Penalties and interest and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. State shared taxes, other intergovernmental revenue, and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for on the accrual basis. That is, revenues are recognized as earned and liabilities as incurred.

Fiduciary funds are accounted for on the modified accrual basis.

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories of public works supplies are expensed as received and paid for. Year-end inventory of the water department has been recorded at cost, on the balance sheet of the Water Supply System Fund. Similarly, the General Fund's inventory of garbage bags which are subsequently to be sold to the public has been recorded at cost.

REVENUE RECOGNITION - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 and are levied, due and payable as of December 1. All unpaid taxes become delinquent on February 28 of the next year.

Property taxes are recognized as revenue in the year levied. Those levied but not collected during the Township's fiscal year are recorded as delinquent taxes receivable.

The delinquent real property taxes of the Township are purchased by the County of Iron. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes.

RESTRICTED ASSETS

These assets include cash and short-term investments required by the bond indenture agreement of the Water Supply System Revenue Bonds Series 1987. Specifically the accounts are as follows:

1. Bond and Interest Redemption Account - used for payment of principal and interest. Deposits to this account are required to be on a monthly basis in amounts at least equal to 1/6 of the interest due on the next ensuing interest due date and not less than 1/12 of the principal of the bonds maturing on the next ensuing principal date. Although the frequency of deposits hasn't been adhered to, transfers have been made in amounts sufficient to meet the Township's debt service requirements as they come due.

RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriate for expenditure or is legally segregated for a specific future use.

Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS (CONTINUED)

The Township has reserved/designated fund balances or retained earnings at March 31, 2004 as follows:

General Fund:

Reserved Fund Balance - \$19,416; equal to the balance of the asset accounts for "inventory" and "prepaid expenses" which by their nature, are non-appropriable balances.

Fire Protection Fund:

Reserved Fund Balance - \$ 120,560; fund equity is comprised exclusively of tax collections which are expendable only for fire protection.

Township Improvement Fund:

Designated Fund Balance - \$ 105,994; fund equity is comprised of funds specifically designated by the Board for future Township Improvements.

Water Supply System Fund:

Reserved Retained Earnings - \$ 22,923; equal to the balance of the restricted bond and interest redemption cash account (see Restricted Assets above) established pursuant to the Revenue Bond Ordinance.

BOND ISSUE EXPENSES

Expenses incurred in connection with the original issuance and refinancing of the Water Supply System Revenue Bonds - Series 1987 have been deferred (recorded as an asset). In accordance with generally accepted accounting principles, they will be amortized to expense over the life of the bonds on a straight line basis. At March 31, 2004, unamortized costs totaled \$ 9,226.

PENSION PLAN

The Township maintains a fully funded pension plan for its full time employees and trustees. The Township's contribution was \$ 4,168 during the year.

TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements - Overview is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE B - CASH AND INVESTMENTS

CASH DEPOSITS:

Cash includes amounts in demand, savings and certificates of deposits with a maturity date within three months of the financial statement date. State statutes authorize the government to invest in bank time accounts, obligations of the U.S. Treasury, commercial paper, corporate bonds, certain mutual funds and repurchase agreements.

The carrying amount of the Township's deposits with financial institutions including certificates of deposit maturing in less than 90 days is \$ 946,815. The bank balance is comprised as follows:

Amount insured by the Federal Deposit Insurance Corporation Insurance Corporation	\$ 200,000
Amount collateralized with securities held by the pledging financing institution's trust department in the Township's name	-
Uninsured, uncollateralized	<u>746,815</u>
TOTAL BANK BALANCE	<u>\$ 946,815</u>

INVESTMENTS:

The Township had no investments at March 31, 2004 other than the certificates of deposit which are considered investments because they have maturities longer than ninety days:

Certificates of deposit	<u>\$ 132,898</u>
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NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

During the year ended March 31, 2003, the Township incurred expenditures materially in excess of appropriated amounts as follows:

<u>Fund/Activity</u>	<u>Expended</u>	<u>Budgeted</u>	<u>Over Expenditure</u>	
			<u>Amount</u>	<u>%</u>
General Fund - Legal services	\$ 14,466	\$ 5,600	\$ 8,866	158.32
General Fund - Township Hall	29,697	28,000	1,697	6.06
General Fund - Streets and Roads	287,638	284,000	3,638	1.28
Township Improvement Fund- Capital Outlay	118,753	74,000	44,753	60.48
Sewer Fund - expenditures	100,080	96,011	4,069	4.24

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE D - ACCUMULATED DEFICITS

The Township does not have accumulated deficits in its unreserved fund balance or retained earnings accounts in any of its funds.

NOTE E - FIXED ASSETS

Detailed property records are not maintained for fixed assets utilized in the various governmental funds.

A summary of proprietary fund type property and equipment at March 31, 2004 follows:

	<u>Water Supply System</u>	<u>Sewer</u>	<u>Total</u>
Buildings	\$ 252,200	\$ 0	\$ 252,200
Equipment and mains	758,930	228,199	987,129
Elevated water tank including telemetry and pumping controls	<u>269,636</u>	<u>0</u>	<u>269,636</u>
	\$ 1,280,766	\$ 228,199	\$1,508,965
Less accumulated depreciation	<u>708,506</u>	<u>56,481</u>	<u>764,987</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 572,260</u>	<u>\$ 171,718</u>	<u>\$ 743,978</u>
2003-2004 Depreciation expense	<u>\$ 28,087</u>	<u>\$ 5,477</u>	<u>\$ 33,564</u>

The Township did acquire some additional property that was placed into service during the year.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Maintenance building	50 years
Equipment and mains	10 - 50 years

NOTE F - INTERFUND RECEIVABLES AND PAYABLE

The March 31, 2004, balances of interfund receivables and payables are as follows:

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
General	Tax Collection	\$ 2,523
Tax Collection	General	9
Tax Collection	Fire Protection	11,592
Tax Collection	Sewer Fund	218

TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE G - TOWNSHIP REVOLVING FUND

Pursuant to a resolution of the Township Board, this fund was established to accumulate financial resources to be used for Township capital improvement and capital outlay type expenses.

The fund was initiated with a transfer from the General Fund. As mandated by law, such transfers are limited to two mills per year/five mills in total of the state equalized valuation of the real and personal property in the Township. Further, all interest earned on investments of the fund becomes part of the fund.

If deemed necessary for the operations of the Township, the Board at its discretion may transfer monies back to the General Fund.

NOTE H - CHANGES IN LONG TERM DEBT - WATER SUPPLY SYSTEM REVENUE AND REVENUE REFUNDING BONDS - SERIES 1987

Long term debt of the Water Fund at March 31, 2004 is comprised of the following amount:

\$ 220,000 -Water Supply System Revenue and Revenue Refunding Bonds - Series 1987 due in annual installments as set forth in the Schedule of Bonded Debt and Interest on each May and November 1, through 2017.

In July of 1993, the Township refinanced its then outstanding Water Supply System Revenue Bonds - Series 1987 by entering into a "Savings Agreement" with the Michigan Municipal Bond Authority pursuant to the Authorities Local Government Refunding Revenue Bond Program. Through a reduction in the coupon interest rates, the refinancing effectively saved the Township \$49,925 in bond interest. The bond retirement schedule is included on page 44 of this report. Refinancing charges totaling \$ 15,318 were deferred and are being amortized on a straight line basis over the remaining life of the bonds.

SUPPLEMENTAL
FINANCIAL
INFORMATION

TOWNSHIP OF CRYSTAL FALLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
March 31, 2004

	<u>FIRE PROTECTION FUND</u>	<u>TOWNSHIP IMPROVEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 80,253	\$ 105,994	\$ 186,247
Taxes receivable - net	7,912	0	7,912
Due from other funds	11,592	0	11,592
Prepaid expense	<u>20,803</u>	<u>0</u>	<u>20,803</u>
TOTAL ASSETS	\$ <u>120,560</u>	\$ <u>105,994</u>	\$ <u>226,554</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 0
FUND EQUITY			
FUND BALANCE:			
Designated	\$ 0	\$ 105,994	\$ 105,994
Unreserved, undesignated	<u>120,560</u>	<u>0</u>	<u>120,560</u>
TOTAL FUND EQUITY	\$ <u>120,560</u>	\$ <u>105,994</u>	\$ <u>226,554</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>120,560</u>	\$ <u>105,994</u>	\$ <u>226,554</u>

TOWNSHIP OF CRYSTAL FALLS
 COMBINING STATEMENT REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 Year ended March 31, 2004

	<u>FIRE PROTECTION FUND</u>	<u>TOWNSHIP IMPROVEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Property tax collections	\$ 137,755	\$ 0	\$ 137,755
Commercial forest	3,711	0	3,711
Tax reverted land	0	0	0
Penalties and interest	65	0	65
Reimbursements	0	0	0
Interest	809	1,551	2,360
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 142,340	\$ 1,551	\$ 143,891
EXPENDITURES			
Contracted services	\$ 118,594	\$ 0	\$ 118,594
Other	0	0	0
Capital outlay	0	118,753	118,753
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 118,594	\$ 118,753	\$ 237,347
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 23,746	\$ (117,202)	\$ (93,456)
OTHER FINANCING SOURCES			
Transfer from General Fund	0	50,000	50,000
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 23,746	\$ (67,202)	\$ (43,456)
Fund balance - April 1	96,814	173,196	270,010
	<hr/>	<hr/>	<hr/>
FUND BALANCE - MARCH 31	\$ <u>120,560</u>	\$ <u>105,994</u>	\$ <u>226,554</u>

TOWNSHIP OF CRYSTAL FALLS
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
March 31, 2004

	SEWER FUND	WATER SUPPLY SYSTEM FUND	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 33,217	\$ 350,766	\$ 383,983
Accounts receivable	7,402	7,132	14,534
Due from other funds	218	0	218
Inventory	0	3,763	3,763
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	\$ 40,837	\$ 361,661	\$ 402,498
Restricted assets	0	22,923	22,923
Property and equipment	171,718	572,260	743,978
Other assets	0	9,226	9,226
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>212,555</u>	\$ <u>966,070</u>	\$ <u>1,178,625</u>
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Accounts payable	\$ 5,514	\$ 1,802	\$ 7,316
Accrued interest	0	5,333	5,333
Long term debt - current portion	0	5,000	5,000
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	\$ 5,514	\$ 12,135	\$ 17,649
Long Term Debt - Revenue bonds	\$ 0	\$ 155,000	\$ 155,000
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 5,514	\$ 167,135	\$ 172,649
FUND EQUITY			
Contributed Capital	\$ 183,622	\$ 639,344	\$ 822,966
Retained Earnings (Deficit):			
Reserved	0	22,923	22,923
Unreserved - undesignated	23,419	136,668	160,087
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	\$ <u>207,041</u>	\$ <u>798,935</u>	\$ <u>1,005,976</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>212,555</u>	\$ <u>966,070</u>	\$ <u>1,178,625</u>

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
GENERAL FUND
March 31, 2004

ASSETS

Cash	\$ 299,844
Investments	132,898
Taxes receivable - delinquent	16,458
Accounts receivable	109
Due from other funds	9
Due from other governmental units	27,290
Inventory	6,108
Prepaid expenses	<u>13,308</u>

TOTAL ASSETS \$ 496,024

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable	\$ 11,380
Due to other funds	<u>2,532</u>

TOTAL LIABILITIES \$ 13,912

FUND EQUITY:

Fund balance:	
Reserved for non-appropriable assets	\$ 19,416
Unreserved, Undesignated	<u>462,696</u>

TOTAL FUND EQUITY \$ 482,112

TOTAL LIABILITIES AND FUND EQUITY \$ 496,024

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - ACTUAL AND BUDGET
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 322,246	\$ 292,865	\$ 29,381
State shared revenues	164,372	112,000	52,372
Licenses and permits	3,400	2,500	900
Charges for services	31,852	33,000	(1,148)
Other	<u>10,919</u>	<u>27,100</u>	<u>(16,181)</u>
TOTAL REVENUES	\$ 532,789	\$ 467,465	\$ 65,324
EXPENDITURES			
Legislative	\$ 7,128	\$ 9,000	\$ 1,872
General government	255,039	290,200	35,161
Public works	321,812	324,000	2,188
Recreation	967	2,500	1,533
Other	99,706	100,000	294
Capital outlay	<u>4,390</u>	<u>14,000</u>	<u>9,610</u>
TOTAL EXPENDITURES	\$ 689,042	\$ 739,700	\$ 50,658
EXCESS OF REVENUES OVER EXPENDITURES	\$ (156,253)	\$ (272,235)	\$ 115,982
OTHER FINANCING USES			
Transfers to other funds	\$ 68,000	\$ 68,000	\$ 0
Transfers to other governmental units	<u>3,959</u>	<u>4,000</u>	<u>41</u>
TOTAL OTHER FINANCING USES	\$ 71,959	\$ 72,000	\$ 41
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (228,212)	\$ (344,235)	\$ 116,023
Fund balance - April 1	<u>710,324</u>		
FUND BALANCE - MARCH 31	\$ <u>482,112</u>		

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES - ACTUAL AND BUDGET
GENERAL FUND
Year ended March 31, 2004

		<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
TAXES				
Current property taxes	\$	286,791		
Swamp tax		18,442		
Trailer park tax		66		
Penalties and interest		135		
Tax reverted lands		0		
Commercial forest revenue		<u>16,812</u>		
TOTAL TAXES	\$	322,246	\$ 292,865	\$ 29,381
STATE SHARED REVENUES				
Sales tax	\$	163,226		
Other		<u>1,146</u>		
TOTAL STATE SHARED REVENUES	\$	164,372	\$ 112,000	\$ 52,372
LICENSES AND PERMITS - Zoning	\$	3,400	\$ 2,500	\$ 900
CHARGES FOR SERVICES - Garbage	\$	31,852	\$ 33,000	\$ (1,148)
OTHER				
Interest	\$	7,294		
Rent		425		
Reimbursement - fire protection		2,400		
Other		<u>800</u>		
TOTAL OTHER REVENUE	\$	<u>10,919</u>	\$ 27,100	\$ (16,181)
TOTAL REVENUES	\$	<u>532,789</u>	\$ 467,465	\$ 65,324

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
LEGISLATIVE			
Township Board:			
Salaries	\$ 2,550		
Due and subscriptions	1,864		
Travel	1,588		
Other	<u>1,126</u>		
TOTAL LEGISLATIVE	\$ 7,128	\$ 9,000	\$ 1,872
GENERAL GOVERNMENT			
Supervisor and Deputy Supervisor:			
Salaries	\$ 11,748		
Other	<u>564</u>		
	\$ 12,312	\$ 13,000	\$ 688
Elections:			
Supplies	\$ 363		
Contracted services	702		
Other	<u>26</u>		
	\$ 1,091	\$ 1,600	\$ 509
Accounting services - auditing	\$ 4,838	\$ 6,800	\$ 1,962
Assessor:			
Supplies	\$ 1,235		
Contractual services	<u>19,897</u>		
	\$ 21,132	\$ 23,000	\$ 1,868
Legal services	\$ 14,466	\$ 5,600	\$ (8,866)

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)
GENERAL FUND
Year ended March 31, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
Clerk and Deputy Clerk:			
Salaries	\$ 14,521		
Supplies	18,698		
Contractual services	1,555		
Printing and publishing	265		
Other	158		
	\$ 35,197	\$ 36,600	\$ 1,403
Board of Review:			
Contractual services	\$ 450		
Travel	0		
	\$ 450	\$ 700	\$ 250
Treasurer and Deputy Treasurer:			
Salaries	\$ 9,738		
Supplies	1,197		
Tax roll	3,593		
Printing and publishing	124		
Capital outlay	0		
	\$ 14,652	\$ 19,000	\$ 4,348
Township Hall:			
Salaries	\$ 11,090		
Supplies	2,319		
Utilities	15,555		
Other	733		
	\$ 29,697	\$ 28,000	\$ (1,697)
Other Property:			
Salaries	\$ 2,516		
Supplies	411		
Utilities	4,912		
Other	0		
Capital outlay	95,298		
	\$ 103,137	\$ 125,900	\$ 22,763

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)
GENERAL FUND
Year ended March 31, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
Cemetery - contractual service	\$ 5,960	\$ 7,000	\$ 1,040
Zoning:			
Salaries	\$ 8,037		
Supplies	120		
Contractual services	2,955		
Printing and publishing	995		
Travel	0		
	<u>\$ 12,107</u>	<u>\$ 23,000</u>	<u>\$ 10,893</u>
TOTAL GENERAL GOVERNMENT	\$ 255,039	\$ 290,200	\$ 35,161
PUBLIC WORKS			
Streets and Roads:			
Salaries	\$ 4,384		
Supplies	25,099		
Contractual services	245,893		
Street lighting	11,222		
Other	1,040		
	<u>\$ 287,638</u>	<u>\$ 284,000</u>	<u>\$ (3,638)</u>
Sanitation:			
Salaries	\$ 14,186		
Supplies	26		
Transfer station fees	19,824		
Repairs and maintenance	138		
	<u>\$ 34,174</u>	<u>\$ 40,000</u>	<u>\$ 5,826</u>
TOTAL PUBLIC WORKS	\$ 321,812	\$ 324,000	\$ 2,188
RECREATION - Ski Hill - Salaries	\$ 967	\$ 2,500	\$ 1,533

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)
GENERAL FUND
Year ended March 31, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
OTHER			
Employee Benefits:			
Payroll tax	\$ 7,145		
Life insurance	1,755		
Health insurance	60,454		
Pension	<u>4,168</u>		
	\$ 73,522	\$ 73,800	\$ 278
Insurance	<u>\$ 26,184</u>	<u>\$ 26,200</u>	<u>\$ 16</u>
TOTAL OTHER	\$ 99,706	\$ 100,000	\$ 294
CAPITAL OUTLAY - equipment	<u>\$ 4,390</u>	<u>\$ 14,000</u>	<u>\$ 9,610</u>
TOTAL EXPENDITURES	<u>\$ 689,042</u>	<u>\$ 739,700</u>	<u>\$ 50,658</u>
OTHER FINANCING USES			
Operating transfers to other funds:			
Township improvement fund	\$ 50,000		
Sewer fund	10,000		
Water supply system fund	<u>8,000</u>		
	\$ 68,000	\$ 68,000	\$ 0
Operating transfers to other governmental units:			
Iron County Community Schools	\$ 2,237		
UPSET	<u>1,722</u>		
	<u>\$ 3,959</u>	<u>\$ 4,000</u>	<u>\$ 41</u>
TOTAL OTHER FINANCING USES	<u>\$ 71,959</u>	<u>\$ 72,000</u>	<u>\$ 41</u>

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
FIRE PROTECTION FUND
March 31, 2004

ASSETS

Cash	\$ 80,253
Taxes receivable - net	7,912
Due from other funds	11,592
Prepaid expense	<u>20,803</u>
 TOTAL ASSETS	 \$ <u><u>120,560</u></u>

LIABILITIES AND FUND EQUITY

FUND EQUITY - Fund balance - Reserved for fire protection expenditures	\$ <u><u>120,560</u></u>
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TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FIRE PROTECTION FUND - ACTUAL AND BUDGET
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Property tax collections	\$ 137,755	\$ 127,500	\$ 10,255
Commercial forest	3,711	3,000	711
Tax reverted land	0	575	(575)
Penalties and interest	65	0	65
Interest	<u>809</u>	<u>1,000</u>	<u>(191)</u>
TOTAL OPERATING REVENUES	\$ 142,340	\$ 132,075	\$ 10,265
EXPENDITURES			
Public safety - Contracted service	\$ <u>118,594</u>	\$ <u>119,000</u>	\$ <u>406</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 23,746	\$ <u><u>13,075</u></u>	\$ <u><u>10,671</u></u>
Fund balance - April 1	<u>96,814</u>		
FUND BALANCE - MARCH 31	\$ <u><u>120,560</u></u>		

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
TOWNSHIP IMPROVEMENT REVOLVING FUND
March 31, 2004

ASSETS

Cash	\$ <u>105,994</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES - Accounts payable	\$ 0
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FUND EQUITY - Fund balance - designated for capital improvements	<u>105,994</u>
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TOTAL LIABILITIES AND FUND EQUITY	\$ <u>105,994</u>
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TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOWNSHIP IMPROVEMENT REVOLVING FUND - ACTUAL AND BUDGET
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ 1,551	\$ 7,000	\$ (5,449)
Reimbursements	<u>0</u>	<u>0</u>	<u>0</u>
	\$ 1,551	\$ 7,000	\$ (5,449)
EXPENDITURES			
Professional services - engineering	\$ 0	\$ 0	\$ 0
Other	0	0	0
Capital expenditures	<u>118,753</u>	<u>74,000</u>	<u>(44,753)</u>
TOTAL EXPENDITURES	\$ <u>118,753</u>	\$ <u>74,000</u>	\$ <u>(44,753)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (117,202)	\$ (67,000)	\$ (50,202)
OTHER FINANCING SOURCES			
Transfer from General Fund	<u>50,000</u>	<u>50,000</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ (67,202)	\$ <u>(17,000)</u>	\$ <u>(50,202)</u>
Fund balance - April 1	<u>173,196</u>		
FUND BALANCE - MARCH 31	\$ <u><u>105,994</u></u>		

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
SEWER FUND
March 31, 2004

ASSETS

Current Assets:

Cash	\$ 33,217
Accounts receivable	7,402
Due from other funds	<u>218</u>

TOTAL CURRENT ASSETS \$ 40,837

Property and equipment

Mains and equipment	\$ 228,199
Less accumulated depreciation	<u>(56,481)</u>

NET FIXED ASSETS \$ 171,718

TOTAL ASSETS \$ 212,555

LIABILITIES AND FUND EQUITY

LIABILITIES

Current Liabilities:

Accounts payable	\$ 5,514
Due to other funds	<u>0</u>

TOTAL CURRENT LIABILITIES \$ 5,514

FUND EQUITY

Contributed capital - township	\$ 183,622
Retained earnings - unreserved, undesignated	<u>23,419</u>

TOTAL FUND EQUITY \$ 207,041

TOTAL LIABILITIES AND FUND EQUITY \$ 212,555

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
SEWER FUND
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Charges for services:			
Customer sales	\$ 86,895		
Thaws, taps and other services	<u>311</u>		
TOTAL OPERATING REVENUES	\$ 87,206	\$ 73,300	\$ 13,906
OPERATING EXPENSES			
Wages	\$ 12,322		
Payroll taxes	943		
Supplies	356		
Repairs and maintenance	915		
Contracted services	76,331		
Utilities	3,736		
Depreciation	<u>5,477</u>		
TOTAL OPERATING EXPENSES	\$ <u>100,080</u>	\$ <u>96,011</u>	\$ <u>(4,069)</u>
OPERATING INCOME	\$ (12,874)	\$ (22,711)	\$ 9,837
NON-OPERATING REVENUE - Interest	\$ <u>78</u>	\$ <u>1,000</u>	\$ <u>(922)</u>
INCOME BEFORE OPERATING TRANSFER	\$ (12,796)	\$ (21,711)	\$ 8,915
OPERATING TRANSFER - From General Fund	\$ <u>10,000</u>	\$ <u>10,000</u>	\$ <u>0</u>
NET INCOME	\$ (2,796)	\$ <u>(11,711)</u>	\$ <u>8,915</u>
Retained earnings - April 1	<u>26,215</u>		
RETAINED EARNINGS - MARCH 31	\$ <u><u>23,419</u></u>		

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF CASH FLOWS
SEWER FUND

Year ended March 31, 2004
Increase (decrease) in cash

OPERATING ACTIVITIES

Operating income	\$ (12,874)
Adjustment to reconcile operating income (loss) to net cash provided by operating income (loss):	
Depreciation	5,477
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	469
(Increase) decrease in due from other funds	0
Increase (decrease) in accounts payable	5,515
Increase (decrease) in due to other funds	<u>0</u>

CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ (1,413)

CAPITAL AND RELATED FINANCING ACTIVITIES - Capital additions \$ (1,856)

NON-CAPITAL FINANCING ACTIVITIES - Operating transfer from general fund \$ 10,000

INVESTING ACTIVITIES - Interest earned \$ 78

NET INCREASE IN CASH \$ 6,809
26,408

Cash - April 1

CASH - MARCH 31 \$ 33,217

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
WATER SUPPLY SYSTEM FUND
March 31, 2004

ASSETS

Current Assets:

Cash	\$ 350,766
Accounts receivable	7,132
Inventory	<u>3,763</u>

TOTAL CURRENT ASSETS \$ 361,661

Restricted Assets:

Bond and interest	\$ 22,923
System improvements	<u>0</u>

TOTAL RESTRICTED ASSETS \$ 22,923

Property and Equipment:

Property and equipment	\$ 1,280,766
Less accumulated depreciation	<u>(708,506)</u>

NET PROPERTY AND EQUIPMENT \$ 572,260

Other Assets - Deferred bond costs - net	\$ <u>9,226</u>
--	-----------------

TOTAL ASSETS \$ 966,070

LIABILITIES AND FUND EQUITY

Current Liabilities:

Account payable	\$	1,802
Accrued interest		5,333
Current portion of long-term debt		<u>5,000</u>

TOTAL CURRENT LIABILITIES \$ 12,135

Long-Term Debt:

Revenue bonds	\$	160,000
Less current portion included above		<u>(5,000)</u>

TOTAL LONG-TERM DEBT \$ 155,000

TOTAL LIABILITIES \$ 167,135

FUND EQUITY

Contributed Capital:

Federal (net of amortization)	\$	45,501
Township		<u>593,843</u>

TOTAL CONTRIBUTED CAPITAL \$ 639,344

Retained earnings:

Reserved	\$	22,923
Unreserved - undesignated		<u>136,668</u>

TOTAL RETAINED EARNINGS \$ 159,591

TOTAL FUND EQUITY \$ 798,935

TOTAL LIABILITIES AND FUND EQUITY \$ 966,070

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND - ACTUAL AND BUDGET
Year ended March 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services:			
Customer sales	\$ 138,876		
Water taps and other services	<u>4,991</u>		
TOTAL OPERATING REVENUES	\$ 143,867	\$ 146,742	\$ (2,875)
OPERATING EXPENSES			
Wages	\$ 26,905		
Payroll taxes	2,058		
Supplies	15,206		
Purchased services	3,792		
Dues and subscriptions	327		
Travel	433		
Utilities	19,910		
Depreciation	<u>28,087</u>		
TOTAL OPERATING EXPENSES	\$ 96,718	\$ 96,162	\$ (556)
OPERATING INCOME	\$ 47,149	\$ 50,580	\$ (3,431)
NON-OPERATING REVENUE (EXPENSE)			
Interest income	\$ 737	\$ 3,000	\$ (2,263)
Transfer from general fund	8,000	8,000	0
Interest expense	<u>(11,284)</u>	<u>(16,151)</u>	<u>4,867</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	\$ (2,547)	\$ (5,151)	\$ 2,604
NET INCOME	\$ 44,602	\$ <u>45,429</u>	\$ <u>(827)</u>
Add depreciation of fixed assets acquired by capital grants that reduces contributed capital from grants	6,094		
Retained Earnings - April 1	<u>108,895</u>		
RETAINED EARNINGS - MARCH 31	\$ <u><u>159,591</u></u>		

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF CASH FLOWS
WATER SUPPLY SYSTEM FUND
Year ended March 31, 2004
Increase (decrease) in cash

OPERATING ACTIVITIES

Operating income (loss)	\$ 47,149
Adjustment to reconcile operating income (loss) to net cash provided by operating income (loss):	
Depreciation	28,087
Amortization of deferred bond issuance costs	299
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	5,121
(Increase) decrease in inventory	0
Increase (decrease) in accounts payable	269
Increase (decrease) in accrued interest	<u>(167)</u>

CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ 80,758

CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on revenue bonds	\$ (5,000)
Interest paid on revenue bonds	(11,284)
Capital acquisitions	(1,856)
Amounts restricted for future debt service	<u>15,740</u>

CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES \$ (2,400)

INVESTING ACTIVITIES - Interest earned \$ 737

NON-CAPITAL FINANCING ACTIVITIES - Transfer from general fund \$ 8,000

NET INCREASE IN CASH \$ 87,095

Cash - April 1 263,671

CASH - MARCH 31 \$ 350,766

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
March 31, 2004

ASSETS

Cash	\$ 76,741
Due from other funds	<u>2,523</u>

TOTAL ASSETS	\$ <u><u>79,264</u></u>
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LIABILITIES

Due to other funds	\$ 11,810
Due to Other Governmental Units	67,454
Due to taxpayers	<u>0</u>

TOTAL LIABILITIES	\$ <u><u>79,264</u></u>
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TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
Year ended March 31, 2004

	<u>Balance</u> <u>31-Mar-03</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>31-Mar-04</u>
ASSET							
Cash	\$ 84,817	\$	809,359	\$	817,435	\$	76,741
Due from General Fund	<u>480</u>		<u>295,993</u>		<u>293,950</u>		<u>2,523</u>
TOTAL ASSETS	\$ <u>85,297</u>	\$	<u>1,105,352</u>	\$	<u>1,111,385</u>	\$	<u>79,264</u>
LIABILITIES							
Due to Fire Protection Fund	\$ 12,508	\$	140,989	\$	141,905	\$	11,592
Due to Sewer Fund	218		0		0		218
Due to Other Governmental Units	72,571		963,875		968,992		67,454
Due to taxpayers	<u>0</u>		<u>488</u>		<u>488</u>		<u>0</u>
TOTAL LIABILITIES	\$ <u>85,297</u>	\$	<u>1,105,352</u>	\$	<u>1,111,385</u>	\$	<u>79,264</u>

SUPPORTING
SCHEDULE

TOWNSHIP OF CRYSTAL FALLS
SCHEDULE OF WATER SUPPLY REFUNDING BONDS, SERIES 1987
March 31, 2004

Payable	May 1	November 1		Total
	Interest	Principal	Interest	
2004	6,400	5,000	2,451	13,851
2005	6,200	5,000	2,396	13,596
2006	6,000	5,000	2,336	13,336
2007	5,800	10,000	2,138	17,938
2008	5,400	10,000	1,988	17,388
2009	5,000	10,000	1,823	16,823
2010	4,600	10,000	1,657	16,257
2011	4,200	10,000	1,493	15,693
2012	3,800	10,000	1,328	15,128
2013	3,400	15,000	1,018	19,418
2014	2,800	15,000	763	18,563
2015	2,200	15,000	508	17,708
2016	1,600	20,000	110	21,710
2017	800	20,000	-230	20,570
	\$ 58,200	\$ 160,000	\$ 19,776	\$ 237,976

Water Supply System Revenue Refunding Bonds - Series 1987 were originally issued for \$240,000 and dated August 6, 1987. The bonds mature annually as scheduled above and bear interest at an average rate of 5.535% per annum, payable semiannually on May 1 and November 1 of each year.

Bonds or portions of bonds in multiples of \$5,000 maturing in the years 2003 and thereafter are subject to redemption in whole or in part at the option of the Township, in such order as the Township shall determine in integral multiples of \$5,000 on any date on or after May 1, 2003, at the following redemption prices (expressed as a percentage of their principal amounts), plus accrued interest to the redemption date.

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
May 1, 2003 to April 30, 2004, inclusive	102.00%
May 1, 2004 to April 30, 2005, inclusive	101.50%
May 1, 2005 to April 30, 2006, inclusive	101.00%
May 1, 2006 to April 30, 2007, inclusive	100.50%
May 1, 2007 and thereafter	100.00%

OTHER
FINANCIAL
INFORMATION

SCOTT R. KENNEY

Certified Public Accountant

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(906) 875-4393 Fax: (906) 875-3879

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Honorable Supervisor and Board of Trustees
Township of Crystal Falls
Crystal Falls, MI 49920

I have audited the general purpose financial statements of the Township of Crystal Falls, Michigan (Township) as of and for the year ended March 31, 2004, and have issued my report thereon dated June 22, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

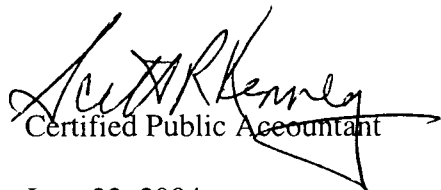
As part of obtaining reasonable assurance about whether the Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted one matter involving the internal control over financial reporting and its operations that I consider to be a material weakness. An inadequate separation of duties exists in the utility billing area with all of the controls being centralized in the utility billing clerk. Additionally, I noted other matters involving the internal control over financial reporting that I have reported to the Board of Trustees in a separate letter dated June 22, 2004.

Member
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

This report is intended for the information and use of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

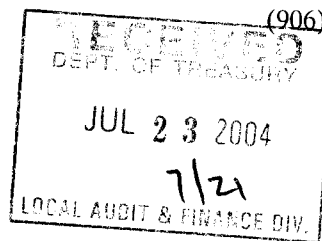
June 22, 2004

SCOTT R. KENNEY

Certified Public Accountant

1374 Commercial Ave., Suite #1
Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

The Honorable Supervisor and Board of Trustees
Township of Crystal Falls
Crystal Falls, MI 49920



In conjunction with the audit of the financial statements of the Township of Crystal Falls, Michigan as of and for the year ended March 31, 2004, I have reviewed the Township's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Township's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Township of Crystal Falls Board of Trustees and management and should not be presented or quoted to anyone outside of the Township because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. The first two items included below is a repeat of the prior year comment.

1. **OBSERVATION** - The Township has not maintained a General Fixed Asset Account Group as required by generally accepted accounting principles.

RECOMMENDATION - While a General Fixed Asset Account Group is currently required to comply with Generally Accepted Accounting Principles, I recommend that the Township look forward to future reporting. The Governmental Accounting Standards Board (GASB) has issued Statement Number 34 that outlines the Township's responsibility for future reporting with the 2007 fiscal year being the first year that the Township is required to report its infrastructure assets (fixed assets) under that pronouncement.

2. **OBSERVATION** - The Township has diligently reviewed its general fund budget during the year while approving monthly expenditures. The general fund budget has been amended as necessary. The other budgeted funds were not amended during the year.

RECOMMENDATION - I recommend that each of the funds of the Township be reviewed periodically and amended as necessary to stay in compliance with State statutes.

3. **OBSERVATION** - The Township purchased upgraded computer software for the general accounting and utility billing during the fiscal year but the software has not yet been installed. The present accounting system has been in place for several years and the reporting and ability to trace transactions is limited.

RECOMMENDATION - I strongly recommend that the Township install the upgraded software that has been purchased as soon as possible. The updated computer systems provide enhanced reporting capabilities and will do "accounting behind the scenes." This will save the clerk and utility billing clerk time in executing their daily tasks while properly maintaining a balanced general ledger and allow for easier reconciliation of accounts.

In addition, proper internal control and accounting procedures will need to be reviewed and implemented with the new software. This will address the material weakness in internal accounting control stated in observation #4 below.

4. **OBSERVATION** - A material weakness in internal accounting control exists in the Utility Billing/Receipting function. The clerk that is performing the billing function is also updating customer master files, receiving the customer payments, and posting the payments to the customer accounts.

RECOMMENDATION - I recommend that existing procedures be reviewed and either some of the duties separated or inspection controls be implemented. The inspection controls would require that an employee other than the Utility Billing Clerk review reports verifying receipt totals, billing totals and reconcile accounts receivable.

5. **OBSERVATION** - Upon our arrival to perform the audit, we discovered that some of the funds were out of balance. In addition, we discovered that the trial balance and detailed general ledger did not balance with each other. This resulted in our reconciling these funds and reports before proceeding with the audit. In addition, the interim reports provided to the Board and management were inaccurate.

RECOMMENDATION - The clerk should assure that the general ledger is in balance. If not, the clerk should contact the software vendor and inquire on the procedure to balance and reconcile the financial records.

6. **OBSERVATION** - A physical inventory of the goods owned but not consumed was not taken by the Township at the end of the fiscal year as procedures require.

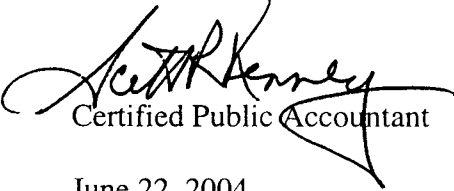
RECOMMENDATION - A physical inventory needs to be taken at least annually at the conclusion of the fiscal year.

7. **OBSERVATION** - The payroll cash transfer activity was not posted to the general ledger during the year.

RECOMMENDATION - All activity needs to be posted to the general ledger accounts to reflect proper accounts balance, results of operations and accurate interim financial reports.

I would like to thank the Township Board for allowing me to conduct the audit of the records and especially thank Dalton, Helen, Sherry and Jodie for their assistance during the audit.

If the Township would like my assistance in implementing any of the above recommendations, I am willing to assist you in any way that I can.


Certified Public Accountant

June 22, 2004